

# Exhibit P



**COST CONTAINMENT FOR STATE PRESCRIPTION  
DRUG EXPENDITURES**

**From The Office Of State Auditor  
Claire McCaskill**

*Medicaid officials have been slow implementing new cost containment initiatives, updating current measures and recommending legislative or rule changes that are more favorable to the state.*

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**PERFORMANCE AUDIT**

**Lower reimbursement rates for certain home infusion drugs not used**

Missouri continues to pay more than it should on home infusion drugs<sup>11</sup> because division officials have not implemented more accurate drug prices. In May 2000, the federal Department of Justice provided all states with more accurate average wholesale prices for 437 primarily home infusion dispensed drugs. Some prices were more than 80 percent less than the average wholesale prices previously reported by pharmaceutical companies. The state could have saved an estimated \$1.5 million on the \$8.4 million spent on these 437 drugs in fiscal year 2001 if officials used the more accurate average wholesale prices and a dispensing fee structure similar to one implemented in another state.

Within 2 months of Department of Justice notice of the more accurate average wholesale prices, Utah officials began using the lower drug prices with new dispensing fees. With the help of infusion specialty providers, Utah officials categorized the 437 drugs into 5 groups appropriate to the preparation and overhead costs for the product. The new dispensing fees set up for drugs in 4 of the 5 categories ranged from \$8.90 to \$33.90 per prescription.

The state could  
save \$1.5 million  
annually

Missouri officials initially implemented the more accurate prices for provider reimbursement using the normal \$4.09 dispensing fee, which was not designed to cover these drugs. Division officials reversed this decision after home infusion providers threatened to cease services due to insufficient dispensing fees. Provider personnel admitted the former reimbursement rates exceeded their product acquisition costs, but they used the excess reimbursement to offset the higher dispensing costs of home infusion drugs. Division officials indicated they plan to use these lower prices again after determining adequate compensation for home infusion services. While no implementation date has been set, the Division Director stated the necessary changes to implement these prices would be part of the division's fiscal year 2004 budget proposal.

**State is not collecting some pharmacy fees while proposing to increase other fees**

For years, division officials have allowed pharmacies to keep some recipient co-payments, known as shared dispensing fees, in lieu of increasing the \$4.09 prescription dispensing fee. Pharmacies kept an estimated \$3 million to \$6 million in shared dispensing fees in fiscal year 2001. Certain Medicaid recipients pay an optional shared dispensing fee for pharmacy transactions ranging from 50 cents to \$2 based on the cost of the prescription.<sup>12</sup> However, this compensation is not being considered as part of legislation to establish a pharmacy provider tax and nearly double the dispensing fee to \$8.04 per prescription.

Division officials do not maintain any data on the shared dispensing fee amounts kept by pharmacies. They estimate this fee applies to half of all pharmacy transactions, and

<sup>11</sup> Drugs generally dispensed intravenously by health care professionals to patients with chronic illnesses who can live at home or in a non-hospital arrangement.

<sup>12</sup> Children, pregnant women and institutionalized recipients are exempt from paying the shared dispensing fee. However, no Medicaid recipient can be denied a prescription if he/she cannot pay the shared fee amount.